



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 10/27/2003

GAIN Report Number: AS3041

Australia

Solid Wood Products

Annual

2003

Approved by:

Andrew C. Burst, Agricultural Counselor
U.S. Embassy

Prepared by:

Mike Darby, Agricultural Specialist

Report Highlights:

Softwood log production is estimated at 14.9 million cubic meters for 2002/03, eight percent higher than the previous year. Softwood log production for 2003/04 is forecast at 15.7 million cubic meters, an increase of five percent. Continued strong building activity, particularly within the housing sector, is believed to be the driving factor behind this increase. Post forecasts production of softwood lumber to increase five percent to just over 3.4 million cubic meters in 2003/04, in line with the forecast increase in softwood log production.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1]
[AS]

Table of Contents

SECTION ONE: SITUATION AND OUTLOOK.....	3
Production	3
Forest Area	3
Softwood Log Production.....	3
Softwood Lumber Production	3
Forest Outlook.....	4
Trade	4
Consumption	4
Market Segment Analysis.....	4
Construction	4
Furniture and Interiors Sector.....	5
Material Handling Industry	5
Other Marketing Opportunities	5
Policy.....	6
Tariffs.....	6
SECTION TWO: STATISTICAL TABLES	7
PS&D Tables.....	7
Trade Matrices.....	8

SECTION ONE: SITUATION AND OUTLOOK

Production

Forest Area

Australia has a total forest and woodland area of 164.3 million hectares, made up of around 102.5 million hectares of woodland, 50.2 million hectares of native forest, and around 1.6 million hectares of plantations. An estimated 9.9 million hectares of forest is classified as "unknown" in terms of specific vegetation cover. Approximately 23 percent of forestland is privately owned, with the remaining 77 percent in the public domain.

Plantation area on September 30, 2000 was an estimated 1,484,740 hectares, comprising 972,100 hectares of softwood and 502,600 hectares of hardwood. Since 1997, new plantations have totaled 339,640 hectares, with a record 124,850 hectares planted in 2000, surpassing the previous record of 95,000 hectares planted in 1999.

Since 1990, plantings have shifted from primarily softwood to mostly hardwood. Today, approximately 90 percent of the standing hardwood plantations have been planted since 1990.

Hardwoods are mainly native Eucalypts, with *Pinus radiata* (Radiata or Monterey Pine) being the most common softwood. Virtually all of the softwood plantations are planted to Radiata pine, whereas most of the hardwood plantations consist of *Eucalyptus globulos*.

Softwood Log Production

Softwood log production is estimated at 14.9 million cubic meters for 2002/03, over eight percent higher than ABARE's estimated production figure of 13.8 cubic meters for the previous year. This increase is in line with partial year lumber data for the first half of 2002/03. Despite the historically large increase in production, this figure remains below previous estimates.

Softwood log production for 2003/04 is forecast at 15.7 million cubic meters. This represents an increase of five percent, a figure more representative of the long-term trend for growth in softwood log production. Continued strong building activity, particularly within the housing sector, is believed to be the driving factor behind this increase. Furthermore, the commencement of the removal of trees from areas planted under the Commonwealth Softwood Agreement Act (which commenced in the 1960s) will ensure a continuation of the strong supply that has underpinned production increases in recent times.

Softwood Lumber Production

Softwood lumber production is estimated to have increased over eight percent to around 3.3 million cubic meters in 2002/03. This figure is in line with production figures for the first two quarters of 2002/03 and is also in line with estimates for softwood log production.

Post forecasts production of softwood lumber to increase five percent to just over 3.4 million cubic meters in 2003/04, in line with the forecast increase in softwood log production. Historical production data shows increases in production to range from three to seven percent and puts a five percent increase at a more normal level.

Forest Outlook

Establishment of new plantations has increased rapidly in recent years. Historical ABARE data shows that total annual plantings have increased from 54,360 Ha in 1997, to 124,850 Ha in 2000. During this time, softwood's share of the total fell from 27 percent to just seven percent. Conversely, broadleaved hardwood varieties went from 73 percent to 93 percent.

Trade

Exports of softwood logs for 2002/03 are estimated to have increased by 16 percent to 1.4 million cubic meters, up from the 1.2 million cubic meters recorded for the previous year. This increase is in line with ABARE export figures for the first two quarters of 2002/03. Despite this increase being almost double the estimated production increase, total exports continue to represent less than 10 percent of total production. Exports are forecast to increase five percent to 1.5 million cubic meters in 2003/04, in line with the long-term average for production increases.

Exports of softwood lumber are forecast to remain relatively steady at 54,000 cubic meters in 2003/04. This is up slightly from the 51,000 cubic meters estimated for the previous year, but remaining at relatively low levels.

Post forecasts imports of softwood lumber for 2003/04 to increase five percent to 711,000 cubic meters. This figure is in line with projected increases in consumption for 2003/04 and represents a turnaround in the long-term decline of softwood lumber imports. Government sources suggest that imports are now likely to increase incrementally into the future.

Of note, over the period 1990 to 2000, softwood lumber imports as a percentage of total consumption decreased from 31 percent to around 21 percent. Government sources indicate that much of Australia's increase in domestic softwood production has been targeted at "import replacement" rather than in boosting exports. However, the same sources indicate that imports have reached a "floor", with the remaining imports made up of "boutique" timber. It is anticipated that future growth in production will be targeted at export markets rather than import replacement. For hardwood, imports are now less than ten percent of domestic consumption.

Consumption

Australia's consumption of sawn wood and wood based panels rose sharply in 2001/02. Post estimates consumption of sawn wood for 2002/03 to have increased just over eight percent to 3,894 cubic meters, in line with increases in production, and consistent with partial year data for 2002/03. Solid demand from the construction sector has been the main force behind increased consumption, while consumption of wood based panel has increased only slightly. Consumption of sawn wood is forecast to increase five percent in 2003/04.

Market Segment Analysis

Construction

The Australian economy has recorded growth averaging around four percent p.a. since 1996/97, however according to Government figures, is reported to have slowed to just 2.75 percent in 2002/03. Growth is expected rise to around 3.25 percent in 2003/2004, driven by the anticipated recovery in the global economy and the breaking down of drought conditions in Australia.

INTEREST RATES: HOUSING LOANS BANKS	
1996/97	7.2
1997/98	6.7
1998/99	6.5
1999/00	7.8
2000/01	7.6
2001/02	6.3
2002/03	6.6

Rate as of June 30

Source: Reserve Bank of Australia - standard rate.

Construction of housing has experienced solid growth in recent times, and this has driven total growth in the construction industry. According to official government statistics, 169,213 buildings commenced construction in 2002/03, up slightly on the 165,213 that started in 2001/02. Post notes that in 2000/01 building commencements numbered only 115,064.

Furniture and Interiors Sector

Furniture manufacturing is small in volume and tends to be concentrated in niche markets, e.g., Tasmanian blackwood. Many manufacturers have moved overseas in order to reduce production costs. Some products are imported "knocked down" and assembled in Australia. There is some opportunity to expand this market. While price competitiveness continues to be an important factor, niche markets do exist for more expensive imported products.

Material Handling Industry

A major user of packaging and industrial paper is the manufacturing sector, in particular the food and beverage sector. Exports of manufactured goods and primary produce such as fresh fruit, vegetables and flowers are also intensive users of packaging paper.

Only minor amounts of packaging timber are imported.

Other Marketing Opportunities

Imports of coopers products and staves etc. have increased rapidly in recent times, in line with the tremendous growth in the Australian wine industry. Imports of these products rose from A\$26.5 million in 1996/1997 to A\$68.5 million in 2000/01 before falling slightly in 2001/02 to A\$68.4 million. The U.S. and France are the principal suppliers of this material. Imports of assembled parquet flooring panels have increased from A\$6.3 million in 1996/97 to A\$25 million in 2001/02.

Policy**Tariffs**

Australia and the United States are in the process of negotiating a free trade agreement (FTA). Timber or wood products have not as yet, been mentioned by the media as a sensitive issue in relation to Australia signing an FTA.

The general applied import tariff on sawn timber (4407.10.10) is five percent, four percent for Canada and four percent for countries with developing country status.

There is no import tariff on softwood logs.

SECTION TWO: STATISTICAL TABLES

PS&D Tables

Australia Softwood Logs							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2001		07/2002		07/2003	MM/YYYY
Production	16477	13765	16500	14935	0	15681	1000 CUBIC METERS
Imports	1	1	1	1	0	1	1000 CUBIC METERS
TOTAL SUPPLY	16478	13766	16501	14936	0	15682	1000 CUBIC METERS
Exports	900	1192	900	1383	0	1453	1000 CUBIC METERS
Domestic Consumption	15578	12574	15601	13553	0	14229	1000 CUBIC METERS
TOTAL DISTRIBUTION	16478	13766	16501	14936	0	15682	1000 CUBIC METERS

Australia Softwood Lumber							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/1997		07/1998		07/1999	MM/YYYY
Production	3007	3011	3000	3268	0	3431	1000 CUBIC METERS
Imports	632	632	600	677	0	711	1000 CUBIC METERS
TOTAL SUPPLY	3639	3643	3600	3945	0	4142	1000 CUBIC METERS
Exports	62	52	60	51	0	54	1000 CUBIC METERS
Domestic Consumption	3577	3591	3540	3894	0	4088	1000 CUBIC METERS
TOTAL DISTRIBUTION	3639	3643	3600	3945	0	4142	1000 CUBIC METERS

Trade Matrices

Import Trade Matrix Softwood Lumber			
Time Period	Jan - Dec	Units:	000m3
Imports for:	2001		2002
U.S.	14	U.S.	14
Others		Others	
New Zealand	333	New Zealand	394
Canada	107	Canada	147
Czechoslovakia	13	Czechoslovakia	39
Finland	10	Finland	14
Sweden	4	Sweden	5
South Africa	2	South Africa	5
Fiji	1	Estonia	1
Austria	1	Austria	1
Papua New Guinea	1	Fiji	1
		Malaysia	1
Total for Others	472		608
Others not Listed	4		2
Grand Total	490		624

Export Trade Matrix Softwood Lumber			
Time Period	Jan - Dec	Units:	000m3
Exports for:	2001		2002
U.S.	193	U.S.	74
Others		Others	
Japan	455	Japan	21
Indonesia	21	Taiwan	9
Nauru	20	The Philippines	4
China	18	Vietnam	3
Bangladesh	9	China	3
New Zealand	6	Hong Kong	1
Papua New Guinea	6	New Zealand	1
UAE	5	Fiji	1
The Philippines	4	Malaysia	1
Polynesia	1	Singapore	1
Total for Others	545		45
Others not Listed	5		5
Grand Total	743		124